

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)
APPLICATION FOR MICROENTERPRISE AND SMALL BUSINESS LOAN
PORTFOLIO GUARANTEE

This application is comprised of the following five parts:

PART I

Summary

PART II Information on the Financial Institution and Guarantee Coverage

PART III Signatures of Financial Institution

PART IV Financial Information to be Submitted by the Financial Institution

PART V Standard Terms and Conditions
Annexes

Please complete Parts II, III and IV of the application (only the blue colored pages) and submit, together with the documents described in Part IV, directly to:

Research

Credit and Investment (G/EG/CI)
Bureau for Global Programs, Field Support and

**U.S. Agency for International Development
Room 2.10, RRB
1300 Pennsylvania Avenue, N.W.
Washington, D.C. 20523-2110 U.S.A.
(Attn: LPG Program)**

Acceptance by USAID of this application shall constitute an agreement between the Financial Institution and USAID for a Microenterprise and Small Business Loan Portfolio Guarantee upon the standard terms and conditions set forth in Part V.

PART I
SUMMARY¹

PURPOSE OF THE GUARANTEE:

The purpose of the Microenterprise and Small Business Loan Portfolio Guarantee ("Guarantee") is to assist in mobilizing credit through the formal financial sector for qualifying microenterprises and small businesses in USAID-assisted countries on the basis of a risk sharing arrangement.

GUARANTEE COVERAGE:

The Guarantee covers up to fifty percent (50%) of a Financial Institution's net loss on the principal amount of Loans (Part V, Section 10.01[g]) made to qualifying microenterprises and small businesses, up to a mutually agreed upon Guarantee Limit not to exceed US\$3,000,000. The Guarantee Limit, stated in U.S. Dollars, is the maximum amount that USAID will pay in the Local Currency equivalent to a Financial Institution under the Guarantee. If, for example, a Guarantee Limit of US\$1,000,000 is approved by USAID, a Financial Institution could place up to US\$2,000,000, the Maximum Covered Portfolio, in Qualifying Loans under Guarantee coverage, assuming a Guarantee Percentage of 50%. In the event of losses on the principal amount of these loans, USAID would pay to the Financial Institution 50% of the amount of such losses, up to a maximum of US\$1,000,000 in the Local Currency equivalent.

QUALIFYING LOANS:

A Qualifying Loan is any type of new or net additional Local Currency credit, including commercial loans, lines of credit, overdrafts, commercial letters of credit, guarantees or Financial Leases, extended by a Financial Institution to a qualifying microenterprise or small business. A Qualifying Loan may finance, with certain exceptions (Part V, Section 2.01[b]), any productive or commercial activity in the country in which the Guarantee is operative. The total principal amount of Qualifying Loan(s) made to any one Borrower may not exceed the Local Currency equivalent of US\$5,000 for microenterprise loans or US\$150,000 for small business loans. (See Part V, Section 2.01 (Criteria for a Qualifying Loan) for complete information pertaining to the eligibility criteria.)

TERM OF THE GUARANTEE:

The term of the Guarantee is for a maximum of five (5) years, unless earlier terminated by USAID (Part V, Sections 4.02[c], 6.03, 6.05, 9.02, 9.03 and 9.04), and is effective as of the date of the USAID Guarantee Commitment (Part V, Section 3.01). Each Guarantee Period is a six-month period, except as provided in Part V, Section 10.01[f].

¹This Summary provides a brief overview of the Microenterprise and Small Business Loan Portfolio Guarantee Program. The Standard Terms and Conditions which govern the Program may be found in Part V of this Application.

FEES:

A standard Facility Fee equal to 1/2 of one (1) percent will be charged upon the amount of the Guarantee Limit. This is a flat, front-end fee payable no later than thirty (30) days after the date of the USAID Guarantee Commitment. A Utilization Fee will be charged upon the average amount of Qualifying Loans outstanding during each Guarantee Period and adjusted in accordance with the level of Guarantee coverage. This fee, to be agreed upon by USAID and the Financial Institution, is payable semiannually. Fees are payable in Local Currency or in U.S. Dollars at the Financial Institution's option. Failure to pay the Facility Fee or the Utilization Fee within the applicable periods set forth in Part V, Article VI, may result in USAID termination of the Guarantee.

CLAIMS:

The Financial Institution may submit a claim on a Qualifying Loan only when it has either: (1) certified to USAID that it has written off the entire outstanding balance (including principal and interest) of the Qualifying Loan as a bad debt expense or (2)(a) certified to USAID that it is unable, because of a legal impediment or significant impracticality, to take the action described in (1) above, and (b) certified to USAID that it has established a specific provision in its allowance for bad debts. The claim must be made no earlier than three months after the Financial Institution has made a demand for full payment upon the Borrower and no later than six months after the expiration or earlier termination of the Guarantee. Claims will be paid promptly in Local Currency by the USAID Payment Representative after USAID has approved the claim for payment. (See Part V, Article V (Claim Procedures) for further details.)

REPORTING REQUIREMENTS:

The Financial Institution must maintain a record of all Qualifying Loans placed under (and removed from) Guarantee coverage. This information is to be submitted to USAID on a quarterly basis in the form of the Qualifying Loan Schedule, be kept up-to-date and be available for review by USAID at all times. The Financial Institution must also complete a Transaction Report for each Qualifying Loan placed under Guarantee coverage. All such reports must be received by USAID/Washington, along with the Qualifying Loan Schedule and Certification, no later than 30 days after the end of each Quarter. Forms for the Qualifying Loan Schedule, Certification and Transaction Report are set forth in Part V, Annexes B, C and D. Failure to comply with these reporting requirements may result in USAID termination of the Guarantee.

The Financial Institution shall submit a Baseline Questionnaire describing its microenterprise and/or small business lending activities. This information must be updated yearly thereafter as of September 30, if the Financial Institution's Application is approved by USAID. (See Part IV, Section VII).

APPLICATION PROCEDURES:

- 1) The Financial Institution completes and submits Parts II, III (in duplicate) and IV of the Application, together with the documents described in Part IV, to USAID.
- 2) Upon receipt, USAID promptly reviews the Application. USAID reserves the right to request clarification as well as additional documentation from the Financial Institution.

- 3) **USAID then notifies the Financial Institution of its acceptance or rejection of the Application. If the Application has been accepted, USAID issues a Guarantee Commitment, which serves to formally notify the Financial Institution of certain agreed upon conditions which apply to the operation of the Guarantee. The amount of the Facility Fee and the Utilization Fee, and procedures for payment of such fees, are also stipulated in the USAID Guarantee Commitment. (See Part V, Section 3.01).**

CONFIDENTIALITY:

Proprietary information disclosed by the Financial Institution in conjunction with the submission of this Application and designated as such will be treated by USAID as confidential commercial information in accordance with applicable U.S. laws.

(End of Part I)

PART II
**INFORMATION ON THE FINANCIAL INSTITUTION AND GUARANTEE
COVERAGE**

FINANCIAL INSTITUTION

(To be completed by the Financial Institution)

1. Name of the Financial Institution:

2. Address of the Financial Institution:

Telephone no: _____

Telex no: _____

Telefax no: _____

Attn.: _____

3. The Financial Institution is:

(a) organized and existing under the laws of:

(b) organized as a (describe legal status; e.g., bank, trust company,
finance company):

(c) doing (describe type of activity):

(Sections 4 - 9 continued on next page)

PART II

INFORMATION ON THE FINANCIAL INSTITUTION AND GUARANTEE COVERAGE

GUARANTEE COVERAGE

(To be selected and completed by the Financial Institution after discussions with USAID)

4. **Maximum Covered Portfolio.** The total principal amount of Loans (determined for each Loan by the amount of Loan commitment) that may be placed under the Guarantee at any one time is the Local Currency equivalent of: \$_____.
5. **Guarantee Percentage.** The amount of coverage (percentage of Loss of Qualifying Loans) is (up to 50%): _____%
6. **Guarantee Limit.** The U.S. Dollar limit of the Guarantee (not to exceed \$3 million) is: \$_____. (This amount is the maximum amount that USAID will pay under the Guarantee to the Financial Institution in Local Currency equivalent, and must equal the Maximum Covered Portfolio multiplied by the Guarantee Percentage.)
7. **Currency of Fee Payment.** The Facility Fee and the Utilization Fee will be payable in the currency of: _____
8. **Loans placed under Guarantee coverage by the Financial Institution will be:**
 - (a) made in the Country of _____
 - (b) made in the Local Currency of _____
9. **The term of the Guarantee is ____ years from the date of the USAID Guarantee Commitment (can be for no more than five (5) years).**

(End of Part II)

PART III

SIGNATURES OF THE FINANCIAL INSTITUTION (to be completed in duplicate)

(a) Application by the Financial Institution

(i) Signing Officer

This application is made by the undersigned authorized officer of the Financial Institution, who hereby certifies on behalf of the Financial Institution that the facts stated and representations made by it in this Application are true to the best of his/her knowledge and belief and do not omit any material facts relevant to such facts stated and representation made.

Financial Institution

By: Signature _____ Date _____
Name (please print) _____
Title (please print) _____

(ii) Certifying Officer

The undersigned officer of the Financial Institution hereby certifies that the individual signing above is the said duly qualified and acting officer of the Financial Institution having full power and authorization to make this application on behalf of the Financial Institution.

By: Signature _____ Date _____
Name (please print) _____
Title (please print) _____

(b) Acceptance by USAID: Upon acceptance by USAID, which is made by the USAID Guarantee Commitment (Part V, Section 3.01), this application shall constitute an agreement by the Financial Institution and USAID upon the Standard Terms and Conditions set forth in Part V hereof.

(c) Required Statement: USAID has advised the Financial Institution that U.S. law governing the issuance of a USAID guarantee requires the recipient of a guarantee, or any person under consideration for receipt of a guarantee, to make and file a statement regarding the use or non-use of influence in obtaining the guarantee. Accordingly, the Financial Institution makes and subscribes to the following statement by signing above:

If any funds have been paid or will be paid by the Financial Institution to any person for influencing or attempting to influence an officer or employee of any agency, a member of the United States Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with a commitment providing for USAID to guarantee a loan, the Financial Institution shall complete and submit Standard Form-LLL "Disclosure Form to Report Lobbying," in accordance with its instructions.

Submission of this statement is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required statement shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

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Title (please print) _____

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PART IV (Blue Page)
DOCUMENTS TO BE SUBMITTED BY THE FINANCIAL INSTITUTION

I. Documents/Information.

A. Articles of Incorporation.

B. Annual audited statements, with footnotes, for the preceding three (or available) years. Annual reports are acceptable if they include audited statements with footnotes.

- C.**
- i. List of registered owners (by name and percentage of ownership),
 - ii. List of registered owners which are local or foreign governments (by name and percentage of ownership), and
 - iii. List of principal officers and directors.

D. A copy of standard financial lease agreement, including clauses covering purchase option arrangements and similar terms, if leases are to be included under the USAID Guarantee.

II. Asset Quality (amounts shown must agree to audited financial statements or a reconciliation to audited statements must be provided).

A. Provide approximate percentage of the Loan portfolio ("Loan" is defined in Part V (Standard Terms and Conditions), Section 10.01[g]) by type as follows:

Amortizing (scheduled payments of principal and interest)	_____ %
Demand (scheduled payments of interest only)	_____ %
Authorized Overdrafts	_____ %
Other (describe)	_____ %
Total	100%

B. Schedule of past due loans (as defined on page IV-4 as of financial year-end for the past three years). If a period other than 30 days is used by your institution, please state the period used, (i.e., 60 days, 120 days, 6 months):

Year	19__	19__	19__
Balance Outstanding of Past Due Loans			
Total Outstanding Loans (per audited statements)			

C. Schedule of non-performing loans (as defined on page IV-4 as of financial year-end for the past three years). If a period other than 90 days is used by your institution, please state the period used, (i.e., 180 days, 9 months):

Year	19__	19__	19__
Balance Outstanding of Non-Performing Loans			
Total Outstanding Loans (per audited statements)			

NOTE: If records are only kept for past due or non-performing loans, but not both, only the appropriate schedule (B or C above) need be completed. If a definition is used other than the definitions provided at the end of this form, describe it in detail.

- D. Describe policy for Provisions for Bad Debts, including any quantitative guidelines used and explain role, if any, of external auditor and/or supervisory authority.
- E. Describe method of provisioning indicating a) if loans are written off against a previously established provision (general provisions) or b) if specific provisions against loans are provided for, but not written off, when judged uncollectible or if both methods are used.
- F. Schedule of General Provisions, as of financial year-end for the past three years, with totals agreeing to audited statements.

Year	19__	19__	19_
Beginning Balance			
Transfer to the Provision			
Gross Charge-offs			
Other Entries (describe)			
Ending Balance			

- G. Schedule of Specific Provisions, as of financial year-end for the past three years, with totals agreeing to audited statements.

Year	19__	19__	19__
Beginning Balance			
Increases in Specific Provisions			
Decreases in Provision (improved)			
Other Entries (describe)			
Ending Balance			

- H. Describe policies with regard to suspension of interest and/or non-accrual of interest including quantitative guidelines, if any, with regard to loans in arrears and what requirements, if any, are mandated by the supervisory authority.

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I. Schedule of contingent liabilities and other off-balance-sheet items, as of latest audited year-end:

1. Direct Credit Substitutes (guarantees, standby letters of credit, acceptances not on balance sheet, etc.)	
2. Transaction Related Contingent Items (performance bonds, bid bonds, warranties, etc.)	
3. Self-liquidating/Trade Related Items (documentary credits, commercial letters of credit)	
4. Formal Credit Commitments	
5. Other Significant Off-Balance Sheet Items (describe)	

III. Capital Adequacy

- A. Describe capital requirements, either statutory or regulatory, for your type of financial institution (bank, finance or leasing company, etc.).
- B. Schedule of capital elements (as of latest financial year-end).

Core Capital:

Paid-in Shares (common stock)	
Share Premiums (surplus)	
Statutory Reserves	
Retained Profits	
Total Core Capital	

Supplementary Capital:

Undisclosed Reserves (approved by supervisory authority)	
Asset Reevaluation Reserves	
Unencumbered General Provisions	
Other (describe)	
Total Supplementary Capital	

(BLUE PAGE)

IV. Profitability

Schedule of income and expense as of financial year-end, past three years (with totals agreeing to audited statements).

Year	19__	19__	19__
Interest Income			
Interest Expense			
Provisions for Bad Debts			
Non-interest Income			
Non-interest Expense			
Extraordinary Items (describe)			
Pre-tax Income			
Taxation			
Net Income			
Dividends			

V. Liquidity

- A. Specifically describe mandatory liquidity ratios or other liquidity requirements, either statutory or regulatory, imposed by the supervisory authority for your class of financial institution.**
- B. Describe internal policies, guidelines, and/or specific ratios used by management to ensure sufficient liquidity.**

VI. Microenterprise and Small Business Lending

- A. Provide a brief statement of current credit policy for lending to microenterprises and/or small businesses.**
- B. Indicate whether you have a small business and/or microenterprise lending unit.**
If so, please provide a description of such unit, including matters such as staffing and procedures.
- C. Provide a description of microenterprises and/or small business loans presently extended, including:**
 - Definition of microenterprise and/or small business;**
 - Total number of loans;**
 - Number of loans made to women;**
 - Value of the loans in local currency; and,**
 - General description of business of borrowers by sector.**

(BLUE Page)

- D. Provide a projection of the microenterprise and/or small business loans to be made under the guarantee, including:
- a general description;
 - number of loans; and,
 - value of the loans in local currency.
- E. Provide a statement of your standard collection procedures.
- F. Provide a statement of your loan loss reserve policy.
- G. Provide a statement of your bad debt write-off policy.

Definitions

The following World Bank definitions of "past due" and "non-performing" contain elements now widely used in many banking systems.

Past due (Overdue). Loans (as defined in Part V (Standard Terms and Conditions), Section 10.01[g]) are considered to be past due when: a) principal or interest is due and unpaid for 30 days or more; or b) interest payments equal to 30 days interest or more have been capitalized, refinanced, or rolled-over. Overdrafts and other credit extensions with pre-established repayment programs are considered past due when any of the following conditions exist: a) advances exceed the customer's borrowing line for 30 consecutive days or more; b) the customer's borrowing line has expired for 30 days or more; c) interest is due and unpaid for 30 days or more; or d) the account has been inactive for 30 days and deposits are insufficient to cover the interest capitalized during the period. The principal balance outstanding (and not the amount of delinquent payments) is used in calculating the aggregate amount of past due obligations.

Non-performing means that an asset is not generating income. Loans or advances (and potentially other assets) are considered to be non-performing when: a) principal or interest is due and unpaid for 90 days or more; or b) interest payments equal to 90 days or more have been capitalized, refinanced, or rolled-over. Overdrafts or other credit extensions without pre-established repayment programs are considered non-performing when any of the following conditions exist: a) advances exceed the customer's borrowing line for 90 consecutive days or more; b) the customer's borrowing line has expired for 90 days or more; c) interest is due and unpaid for 90 days or more; or d) the account has been inactive for 90 days and deposit are insufficient to cover the interest capitalized during the period. The principal balance outstanding (and not the delinquent payments) is used in calculating the aggregate amount of non-performing obligations.

VII. Baseline Questionnaire

Attached are two (2) Baseline Questionnaires, one of which is to be completed by the Financial Institution when applying for the Loan Portfolio Guarantee, and yearly thereafter (September 30). Please select the Baseline form relevant to the type of Guarantee being requested. Form (a) is for a Microenterprise facility. Form (b) is for a small business facility.

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Form (a) - MICROENTERPRISE BASELINE DATA QUESTIONNAIRE

Bank Name: _____

Country: _____

Name of Preparer: _____

Title of Preparer: _____

Date: _____

1. How many branches (please circle one) are/will be using the Guarantee?

2. What is your definition of a "Microenterprise?"

3. Does your Bank have a microenterprise lending program? ____Yes
____No

If yes, how long has the program been in existence?

How many employees work on the microlending program?

4. What is the size of your microenterprise loan portfolio¹, including loans made with and without the guarantee?

	Current Year	Last Year	Two Years
Number of Loans			
Total Amount of Loans (in local currency)			

5. How many loans in your microenterprise loan portfolio have been made to women-owned businesses and what is the total amount of these loans?

	Current Year	Last Year	Two Years
Number of Loans			
Total Amount of Loans (in local currency)			

6. For your current portfolio, specify the average term (loan life) for amortizing microenterprise loans: _____

In percentage terms, what portion of the micro-loan portfolio is comprised of:

Term Loans _____
Revolving Credits _____

7. In percentage terms, what is your average collateral requirement relative to loan value?

Microenterprise Business Loans _____
Loans to Larger Borrowers _____

8. Do you use cash flow analysis when calculating the borrower's ability to repay the loan? ____Yes ____No

¹Microenterprise loans are defined as less than the local currency equivalent of US\$ 5,000.

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Form (b) - SMALL BUSINESS BASELINE DATA QUESTIONNAIRE

Bank Name:

Country:

Name of Preparer:

Title of Preparer:

Date:

1. How many branches (please circle one) are/will be using the Guarantee?

2. What is your definition of a "small business?"

3. Does your Bank have a small business lending program? ____Yes
____No

If yes, how long has the program been in existence?

How many employees work on the small business lending program?

4. What is the size of your small business loan portfolio¹, including loans made with and without the guarantee?

	Current Year	Last Year	Two Years
Number of Loans			
Total Amount of Loans (in local currency)			

5. How many loans in your small business loan portfolio have been made to women-owned businesses and what is the total amount of these loans?

	Current Year	Last Year	Two Years
Number of Loans			
Total Amount of Loans (in local currency)			

6. For your current portfolio, specify the average term (loan life) for amortizing small business loans: _____

In percentage terms, what portion of the small business loan portfolio is comprised of:

Term Loans _____
Revolving Credits _____

7. In percentage terms, what is your average collateral requirement relative to loan value?

Small Business Loans _____
Loans to Larger Businesses _____

8. Do you use cash flow analysis when calculating the borrower's ability to repay the loan? ____Yes ____No

¹ Small Business Loans are defined as loans not exceeding the local currency equivalent of US\$ 150,000, to borrowers whose total assets (excluding land, buildings and equipment) are less than the local currency equivalent of US\$250,000.

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**PART V
STANDARD TERMS AND CONDITIONS**

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These Standard Terms and Conditions are part of an agreement for a Microenterprise and Small Business Loan Portfolio Guarantee ("Guarantee") made and entered into by and between USAID and the Financial Institution by application of the Financial Institution for a Microenterprise and Small Business Loan Portfolio Guarantee (the "Application") and acceptance of the Application by USAID

ARTICLE I **The Guarantee**

Section 1.01. **The Guarantee.** Subject to these Standard Terms and Conditions, USAID shall pay to the Financial Institution an amount in Local Currency equal to the Guarantee Percentage of the loss of principal incurred by the Financial Institution on Qualifying Loans, as defined in Article II, up to the Guarantee Limit.

ARTICLE II **Qualifying Loans**

Section 2.01. **Criteria for a Qualifying Loan.** A Qualifying Loan is a Loan (see Section 10.01[g]) granted by the Financial Institution to a Borrower that meets all of the following criteria:

[a] The Borrower must meet all of the following criteria:

[1] If the Borrower is an individual, the Borrower must be a national or permanent resident of the Country (Part II, Section 8). If the Borrower is a corporation or other business entity, it must be majority-owned by [i] nationals or permanent residents of the Country and/or [ii] corporations or other business entities that are owned by such nationals or residents;

[2] the Borrower must be 100% privately owned, controlled and operated;

[3] the Borrower's principal place of business must be in the Country;

[4] the Borrower must be a "microenterprise" for that portion of the Guarantee Portfolio allocated to loans to microenterprises, or a "small business enterprise" for that portion of the Guarantee Portfolio allocated to loans to small business enterprises as defined by USAID in the USAID Guarantee Commitment, (Section 3.01) or as otherwise agreed to in writing by USAID and the Financial Institution.

[b] The Loan may finance any private productive or commercial activity conducted principally in the Country, and which is legal in the Country, excluding the following:

[1] the production, processing or marketing of sugar, palm oil, cotton, or citrus for export;

[2] the purchase, manufacture, importation, distribution or application of pesticides;

[3] the production, processing or marketing of luxury goods, including such items as gambling equipment, alcoholic beverages, jewelry, and furs;

[4] activities related to abortion or involuntary sterilization;

[5] police, other law enforcement, or military activities;

[6] the production, processing or marketing of materials for explosives, surveillance equipment, or weather modification equipment;

[7] any activity which would result in any significant loss of tropical forests or involve the extraction of commercial timber in primary tropical forests;

[8] the purchase of goods or services which are shipped from or produced in Brazil, Cuba, Iraq, Iran, Liberia, Libya, Nigeria, Serbia, Somalia, Sudan, The Gambia, North Korea, People's Republic of China, Syria, and Vietnam (as such list of countries may be amended from time to time by written notice from USAID to the Financial Institution, provided, however, that no such notice shall be effective with respect to any Loan made by the Financial Institution prior to such notice), or are produced by corporations or other entities that are more than fifty percent (50%) owned by nationals or permanent residents, or Governmental Authorities, of those countries;

[9] an activity reasonably likely to involve the relocation or expansion outside of the United States of an enterprise located in the United States if non-U.S. production in such relocation or expansion replaces some or all of the production of, and reduces the number of employees at, said enterprise in the United States; and

[10] an activity the purpose of which is the establishment or development of any export processing zone or designated area where the labor, environmental, tax, tariff, and safety laws of the country would not apply, without the prior written approval of USAID.

[c] The Loan may not finance the purchase or lease of motor vehicles manufactured outside the United States.

[d] The total principal amount of Loans to any one Borrower outstanding at any one time under Guarantee coverage (Section 4.01) may not exceed the Local Currency equivalent -- calculated at the Exchange Rate determined by the Financial Institution at the time the Loans are made -- of [1] Five Thousand U.S. Dollars (\$5,000) for the portion of the Guarantee Portfolio allocated to microenterprise loans, or [2] One Hundred Fifty Thousand U.S. Dollars (\$150,000) for the portion of the Guarantee Portfolio allocated to small business enterprise loans, or such other U.S. Dollar amount as may be specified by USAID in the USAID Guarantee Commitment (Section 3.01), or as may be otherwise agreed to in writing by USAID and the Financial Institution.

[e] If the Borrower is an existing customer of the Financial Institution, the Loan must be additional to the credit already being provided by the Financial Institution and must not be a renewal or extension of a pre-existing Loan.

[f] The Loan must be made at a market rate of interest, and no portion of the Loan may be financed, directly or indirectly, with subsidized funds.

[g] At least fifty percent (50%) of the commercial risk of the Loan must be retained by the Financial Institution at all times, and no portion of the Loan may be guaranteed by a Governmental Authority or a donor organization (other than USAID), provided, however, that this subsection [g] shall not apply to conventional forms of collateral or guarantees obtained by the Financial Institution for the Loan.

[h] The Loan must be placed under Guarantee coverage (Section 4.01) within ten (10) business days after the Loan has been disbursed (for term loans) or approved (for lines of credit and all other credit facilities). A Loan may be removed from Guarantee coverage, but no Loan once removed from Guarantee coverage may thereafter be placed again under Guarantee

coverage without the written consent of USAID.

[i] The total principal amount of Loans outstanding under Guarantee coverage at any one time -- calculated at the Exchange Rate determined by the Financial Institution at such time -- shall not exceed the Maximum Covered Portfolio (Part II, Section 4), and no new Loans shall be placed under Guarantee coverage when the total principal amount of Loans then outstanding under Guarantee coverage exceeds the Maximum Covered Portfolio.

Section 2.02. Repayment. The Financial Institution shall have no right to obtain payment under the Guarantee with respect to any Loan that is not a Qualifying Loan in compliance with Section 2.01. If the Financial Institution obtains payment under the Guarantee for a non-complying Loan, the Financial Institution shall be immediately liable to repay to USAID the full amount of the payment obtained plus interest accruing from the date of the payment at the rate of one percent (1%) per month, or at the maximum legal lending rate per month in the Country, whichever is less.

ARTICLE III **Acceptance**

Section 3.01. Acceptance of the Application; USAID Guarantee Commitment. The Guarantee shall have no force and effect until USAID accepts the Application made by the Financial Institution. Acceptance by USAID shall be made by a written notice from USAID substantially in the form of Annex A ("USAID Guarantee Commitment") and signed by an authorized officer of USAID. The USAID Guarantee Commitment serves to formally notify the Financial Institution of certain agreed upon conditions which apply to the operation of the Guarantee. USAID shall have the right, at its sole discretion, to accept or reject the Application. USAID may request further documentation from the Financial Institution prior to accepting or rejecting the Application. The Guarantee shall become effective as of the date of the USAID Guarantee Commitment ("Effective Date").

ARTICLE IV **Guarantee Coverage, Reporting**

Section 4.01. Guarantee Coverage. The Financial Institution shall place a Qualifying Loan under Guarantee coverage by [a] making appropriate entries on the Qualifying Loan Schedule (Annex B to these Standard Terms and Conditions), which shall be kept up to date at all times, and by [b] completing a Transaction Report for such Loan (Annex D to these Standard Terms and Conditions). The Financial Institution shall remove a Qualifying Loan from Guarantee coverage by making appropriate entries on the Qualifying Loan Schedule. A Qualifying Loan placed under Guarantee coverage shall remain under Guarantee coverage unless removed from Guarantee coverage or, as provided in Article IX hereof, until the expiration or earlier termination of the term of the Guarantee.

Section 4.02. REPORTING.

[A] **QUARTERLY REPORTING.** NO LATER THAN THIRTY (30) DAYS AFTER THE END OF EACH QUARTER, USAID/WASHINGTON MUST RECEIVE FROM THE FINANCIAL INSTITUTION {1} A COPY OF THE QUALIFYING LOAN SCHEDULE IN EFFECT ON THE LAST DAY OF THE QUARTER JUST ENDED, COMPLETED IN ACCORDANCE WITH THE INSTRUCTIONS PROVIDED THEREIN, TOGETHER WITH A CERTIFICATION IN THE FORM OF ANNEX C TO THESE STANDARD TERMS AND CONDITIONS, AND {2} A COMPLETED TRANSACTION REPORT IN THE FORM OF ANNEX D TO THESE STANDARD TERMS AND CONDITIONS FOR EACH QUALIFYING LOAN ENTERED INTO DURING SUCH QUARTER. IF THE REQUIRED INFORMATION IS SUBMITTED TO USAID/WASHINGTON WITHIN THE APPLICABLE PERIOD BY FACSIMILE TRANSMISSION, THE FINANCIAL INSTITUTION MUST ALSO PROVIDE THE ORIGINAL DOCUMENTATION TO USAID/WASHINGTON IN DUE COURSE.

[B] **ANNUAL REPORTING.** NO LATER THAN ONE HUNDRED EIGHTY (180) DAYS AFTER THE END OF ITS FISCAL YEAR, THE FINANCIAL INSTITUTION SHALL SUBMIT TO USAID AUDITED ANNUAL FINANCIAL STATEMENTS INCLUDING, OR TOGETHER WITH, THE INFORMATION REQUESTED IN SECTIONS II(A), II(B), II(C), II(F), II(G), II(I), III(B), AND SECTION IV AND VII OF PART IV OF THE APPLICATION.

[C] **FAILURE TO PROVIDE REQUIRED REPORTS.** IF THE FINANCIAL INSTITUTION SHOULD FAIL TO PROVIDE THE REQUIRED REPORTS TO USAID WITHIN THE APPLICABLE PERIOD, THE GUARANTEE SHALL TERMINATE AS OF THE COMMENCEMENT OF THE IMMEDIATELY PRECEDING GUARANTEE PERIOD, UNLESS USAID AND THE FINANCIAL INSTITUTION AGREE OTHERWISE IN WRITING.

ARTICLE V

CLAIM PROCEDURES

SECTION 5.01. CLAIM REQUIREMENTS. NO CLAIM ON A QUALIFYING LOAN MAY BE SUBMITTED TO USAID UNLESS ALL OF THE FOLLOWING REQUIREMENTS ARE MET:

[A] AS A CONSEQUENCE OF THE BORROWER'S DEFAULT, THE TOTAL OUTSTANDING PRINCIPAL OF THE QUALIFYING LOAN HAS BECOME IMMEDIATELY DUE AND PAYABLE, AND THE FINANCIAL INSTITUTION HAS MADE A DEMAND UPON THE DEFAULTING BORROWER FOR FULL PAYMENT OF ALL AMOUNTS DUE.

[B] THE FINANCIAL INSTITUTION HAS PURSUED ALL REASONABLE AND DILIGENT COLLECTION EFFORTS AGAINST THE BORROWER (AND ANY OTHER PERSON THAT MAY BE LIABLE ON THE QUALIFYING LOAN) TO MAKE FULL PAYMENT OF ALL AMOUNTS DUE.

[C] AFTER SUCH COLLECTION ACTIVITIES, THE FINANCIAL INSTITUTION HAS EITHER {1} CERTIFIED TO USAID THAT IT HAS WRITTEN OFF THE ENTIRE OUTSTANDING BALANCE (INCLUDING PRINCIPAL AND INTEREST) OF THE QUALIFYING LOAN AS A BAD DEBT EXPENSE; OR {2} CERTIFIED TO USAID THAT IT {A} IS UNABLE, BECAUSE OF A LEGAL IMPEDIMENT OR SIGNIFICANT IMPRACTICALITY, TO TAKE THE ACTION DESCRIBED IN {1} ABOVE, AND {B} HAS ESTABLISHED A SPECIFIC PROVISION FOR POSSIBLE LOAN LOSSES.

[D] THE CLAIM HAS BEEN SUBMITTED TO USAID NO EARLIER THAN THREE (3) MONTHS AFTER THE FINANCIAL INSTITUTION'S DEMAND FOR FULL PAYMENT, AS REQUIRED BY SUBSECTION [A] OF THIS SECTION, AND NO LATER THAN SIX (6) MONTHS AFTER THE EXPIRATION OR EARLIER TERMINATION OF THE GUARANTEE, PROVIDED, HOWEVER, THAT NO CLAIM MAY BE SUBMITTED TO USAID IF THE DATE OF THE FINANCIAL INSTITUTION'S DEMAND FOR FULL PAYMENT UNDER SUBSECTION [A] OF THIS SECTION OCCURS AFTER THE EXPIRATION OR EARLIER TERMINATION OF THE GUARANTEE.

SECTION 5.02. SUBMISSION OF CLAIM. THE FINANCIAL INSTITUTION SHALL MAKE A CLAIM BY SUBMITTING TO USAID FOR EACH QUALIFYING LOAN A LETTER IN THE FORM OF ANNEX E.

SECTION 5.03. APPROVAL OF CLAIM FOR PAYMENT. THE FINANCIAL INSTITUTION SHALL NOT BE ENTITLED TO PAYMENT ON A CLAIM UNTIL USAID APPROVES THE CLAIM FOR PAYMENT BASED ON ITS REVIEW OF THE CLAIM AS SUBMITTED. USAID RESERVES THE RIGHT TO REQUEST CLARIFICATION OF AND FURTHER DOCUMENTATION ON ANY CLAIM SUBMITTED FOR PURPOSE OF APPROVING A CLAIM FOR PAYMENT.

SECTION 5.04. PAYMENT OF CLAIM. UPON APPROVAL OF A CLAIM FOR PAYMENT, USAID SHALL ADVISE THE USAID PAYMENT REPRESENTATIVE TO PAY TO THE FINANCIAL INSTITUTION THE APPROVED AMOUNT OF THE CLAIM IN LOCAL CURRENCY. USAID SHALL GIVE THE FINANCIAL INSTITUTION WRITTEN NOTICE THAT SUCH PAYMENT ADVICE HAS BEEN GIVEN. USAID SHALL HAVE THE RIGHT TO WITHHOLD PAYMENT OF AN APPROVED CLAIM AMOUNT IF ANY GUARANTEE FEES AND ANY OTHER AMOUNTS HEREUNDER ARE DUE AND OWING TO USAID.

SECTION 5.05. LIMITATION ON CLAIM PAYMENTS. THE TOTAL AMOUNT OF ALL PAYMENTS ON CLAIMS DURING THE TERM, OR ANY RENEWAL TERM, OF THE GUARANTEE (ARTICLE IX) SHALL IN NO EVENT EXCEED THE GUARANTEE LIMIT. FOR THESE PURPOSES, U.S. DOLLAR EQUIVALENTS

SHALL BE CALCULATED AT THE EXCHANGE RATE IN EFFECT ON THE DATE OF EACH PAYMENT, AS DETERMINED BY USAID.

ARTICLE VI

FEES

SECTION 6.01. GUARANTEE FEES. IN CONSIDERATION FOR THE GUARANTEE, THE FINANCIAL INSTITUTION SHALL PAY TO USAID:

- [A] THE FACILITY FEE; AND**
- [B] THE UTILIZATION FEE.**

SECTION 6.02. FACILITY FEE. USAID SHALL CALCULATE A STANDARD FACILITY FEE EQUAL TO 1/2 OF ONE (1) PERCENT UPON THE AMOUNT OF THE GUARANTEE LIMIT, AND SHALL SPECIFY THE AMOUNT OF THE FACILITY FEE IN THE USAID GUARANTEE COMMITMENT (SECTION 3.01). THE FACILITY FEE SHALL BE PAYABLE NO LATER THAN THIRTY (30) DAYS AFTER THE DATE OF THE USAID GUARANTEE COMMITMENT.

SECTION 6.03. FAILURE TO PAY FACILITY FEE. IF THE FINANCIAL INSTITUTION SHOULD FAIL TO PAY THE FACILITY FEE WITHIN THE APPLICABLE PERIOD, THE GUARANTEE SHALL TERMINATE AS OF THE EFFECTIVE DATE (SECTION 3.01).

SECTION 6.04. UTILIZATION FEE. AFTER REVIEW OF THE QUALIFYING LOAN SCHEDULE FOR THE GUARANTEE PERIOD LAST ENDED, USAID SHALL CALCULATE A UTILIZATION FEE BASED UPON THE AVERAGE AMOUNT OF QUALIFYING LOANS OUTSTANDING DURING SUCH GUARANTEE PERIOD AND ADJUSTED IN ACCORDANCE WITH THE LEVEL OF GUARANTEE COVERAGE. FOR PURPOSES OF CALCULATING THE AVERAGE U.S. DOLLAR VALUE OF QUALIFYING LOANS OUTSTANDING IN THAT PERIOD, THE EXCHANGE RATE DETERMINED BY USAID SHALL BE USED. USAID SHALL SPECIFY THE UTILIZATION FEE DUE FOR SUCH ENDED GUARANTEE PERIOD IN A WRITTEN NOTICE TO THE FINANCIAL INSTITUTION. THE UTILIZATION FEE SHALL BE PAYABLE NO LATER THAN THIRTY (30) DAYS AFTER THE DATE OF SUCH NOTICE. USAID MAY CHARGE A UTILIZATION FEE FOR EACH GUARANTEE PERIOD OCCURRING DURING THE INITIAL AND ANY RENEWAL TERMS OF THE GUARANTEE.

SECTION 6.05. FAILURE TO PAY UTILIZATION FEE. IF THE FINANCIAL INSTITUTION SHOULD FAIL TO PAY THE UTILIZATION FEE FOR ANY ENDED GUARANTEE PERIOD NO LATER THAN THE APPLICABLE THIRTY (30) DAY PERIOD, THE GUARANTEE SHALL TERMINATE AS OF THE COMMENCEMENT OF THAT GUARANTEE PERIOD, UNLESS USAID AND THE FINANCIAL INSTITUTION AGREE OTHERWISE IN WRITING.

SECTION 6.06. MANNER OF PAYMENT. ALL PAYMENTS OF AMOUNTS OWING TO USAID UNDER THE GUARANTEE SHALL BE STATED IN U.S. DOLLARS, AND PAYABLE IN THE CURRENCY OF FEE PAYMENT (PART II, SECTION 7). IF PAYABLE IN LOCAL CURRENCY, PAYMENT SHALL BE IN AN EQUIVALENT AMOUNT OF LOCAL CURRENCY CALCULATED AT THE EXCHANGE RATE DETERMINED BY USAID. PAYMENTS SHALL BE MADE TO THE USAID PAYMENT REPRESENTATIVE IN THE MANNER SPECIFIED BY USAID IN THE USAID GUARANTEE COMMITMENT (SECTION 3.01). THE FINANCIAL INSTITUTION SHALL PROMPTLY NOTIFY USAID OF SUCH PAYMENTS (E.G., BY TELEFAX) AFTER EACH SUCH PAYMENT IS MADE.

ARTICLE VII

REPRESENTATIONS, WARRANTIES, COVENANTS

THE FINANCIAL INSTITUTION HEREBY REPRESENTS AND WARRANTS AS FOLLOWS:

SECTION 7.01. ORGANIZATION, EXISTENCE. THE FINANCIAL INSTITUTION IS A CORPORATION OR OTHER INSTITUTION DULY ORGANIZED AND VALIDLY EXISTING WHERE INCORPORATED OR CHARTERED, AND HAS FULL POWER, AUTHORITY AND LEGAL RIGHT TO CARRY OUT ITS BUSINESS AS CURRENTLY CONDUCTED, TO EXECUTE, DELIVER AND PERFORM THIS GUARANTEE AND ALL OTHER DOCUMENTS WHICH THIS GUARANTEE CONTEMPLATES WILL BE EXECUTED BY THE FINANCIAL INSTITUTION.

SECTION 7.02. AUTHORIZATION, BINDING EFFECT. THE EXECUTION, DELIVERY AND PERFORMANCE BY THE FINANCIAL INSTITUTION OF THIS GUARANTEE HAVE BEEN DULY AUTHORIZED BY ALL NECESSARY ACTION OF THE FINANCIAL INSTITUTION, AND THIS GUARANTEE CONSTITUTES A LEGAL, VALID AND BINDING OBLIGATION OF THE FINANCIAL INSTITUTION ENFORCEABLE IN ACCORDANCE WITH ITS TERMS.

SECTION 7.03. GOVERNMENTAL APPROVALS, ETC. NO APPROVAL, PERMIT, LICENSE, AUTHORIZATION, CERTIFICATE OR CONSENT OF ANY GOVERNMENTAL AUTHORITY IS REQUIRED FOR THE FINANCIAL INSTITUTION TO ENTER INTO THIS GUARANTEE, EXCEPT SUCH AS HAVE BEEN HERETOFORE OBTAINED AND ARE IN FULL FORCE AND EFFECT.

SECTION 7.04. FACTS AND CIRCUMSTANCES. THE FACTS AND CIRCUMSTANCES OF WHICH THE FINANCIAL INSTITUTION HAS INFORMED USAID, OR CAUSED USAID TO BE INFORMED, IN THE APPLICATION OR OTHERWISE IN THE COURSE OF REACHING AGREEMENT WITH USAID ON THIS GUARANTEE, ARE ACCURATE AND COMPLETE, AND INCLUDE ALL FACTS AND CIRCUMSTANCES (INCLUDING ANY ACTIONS, PROCEEDINGS, INVESTIGATIONS OR CLAIMS AGAINST OR AFFECTING THE FINANCIAL INSTITUTION NOW PENDING BEFORE ANY COURT, ARBITRATOR OR GOVERNMENTAL AUTHORITY) THAT MIGHT MATERIALLY AFFECT THE GUARANTEE AND THE DISCHARGE OF THE FINANCIAL INSTITUTION'S OBLIGATIONS UNDER THIS GUARANTEE.

SECTION 7.05. FURTHER DISCLOSURE. THE FINANCIAL INSTITUTION SHALL INFORM USAID IN A TIMELY MANNER OF ANY SUBSEQUENT FACTS AND CIRCUMSTANCES THAT MIGHT MATERIALLY AFFECT THE GUARANTEE OR THE FINANCIAL INSTITUTION'S DISCHARGE OF ITS OBLIGATIONS UNDER THE GUARANTEE, OR THE TRUTH AND ACCURACY OF ANY OF THE REPRESENTATIONS MADE IN SECTIONS 7.01 THROUGH 7.04 HEREOF.

SECTION 7.06. RECORDS, INSPECTIONS AND AUDIT. THE FINANCIAL INSTITUTION SHALL

[A] MAINTAIN OR CAUSE TO BE MAINTAINED, IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND PRACTICES CONSISTENTLY APPLIED, BOOKS AND RECORDS RELATING TO THIS GUARANTEE, ADEQUATE TO SHOW THE FINANCIAL INSTITUTION'S COMPLIANCE WITH THESE STANDARD TERMS AND CONDITIONS. SUCH BOOKS AND RECORDS WILL BE AUDITED REGULARLY IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS, AND MUST BE MAINTAINED (EXCEPT AS USAID MAY OTHERWISE AGREE IN WRITING) UNTIL THREE YEARS AFTER THE EXPIRATION OR TERMINATION OF THE GUARANTEE;

[B] AFFORD AUTHORIZED REPRESENTATIVES OF USAID THE OPPORTUNITY AT ALL REASONABLE TIMES TO INSPECT THE FINANCIAL INSTITUTION'S BOOKS, RECORDS, AND OTHER DOCUMENTS (INCLUDING, BUT NOT LIMITED TO, THE ORIGINAL QUALIFYING LOAN SCHEDULE AND ANY BORROWERS' FILES) RELATING TO THE GUARANTEE TO VERIFY THAT LOANS SUBJECT TO GUARANTEE COVERAGE ARE BEING MADE AND RECOVERIES PURSUED AND APPLIED IN ACCORDANCE WITH THESE STANDARD TERMS AND CONDITIONS; AND

[C] PROMPTLY PROVIDE SUCH OTHER INFORMATION AND REPORTS AS USAID MAY REASONABLY REQUEST.

SECTION 7.07. COMPLETE RESPONSIBILITY OF THE FINANCIAL INSTITUTION FOR TAXES. THE FINANCIAL INSTITUTION SHALL PAY ALL TAXES, IN WHATEVER FORM AND HOWSOEVER IMPOSED, INCLUDING ANY INTEREST AND PENALTIES, IF ANY, ON OR WITH RESPECT TO THE GUARANTEE, AND SHALL INDEMNIFY USAID AGAINST ANY SUCH TAXES THAT MAY BE IMPOSED UPON USAID IN CONNECTION THEREWITH. PAYMENTS OF ALL AMOUNTS HEREUNDER SHALL BE MADE FREE AND CLEAR OF AND WITHOUT REDUCTION FOR SUCH TAXES.

SECTION 7.08. RECOVERIES.

[A] [1] ALL RECOVERIES FROM THE DEFAULTING BORROWER FROM ANY SOURCE (INCLUDING THOSE RELATING TO THE QUALIFYING LOAN AND TO ANY OTHER LOAN MADE TO THE BORROWER BUT NOT COVERED BY THE GUARANTEE) RECEIVED BY THE FINANCIAL INSTITUTION AFTER THE DATE OF ITS CLAIM SHALL BE APPLIED, FIRST, TO REIMBURSE THE FINANCIAL INSTITUTION FOR ACTUAL AND REASONABLE EXPENSES INCURRED IN CONNECTION WITH ITS COLLECTION EFFORTS, PROVIDED, THAT SUCH EXPENSES WERE NOT PREVIOUSLY

DEDUCTED IN DETERMINING THE FINANCIAL INSTITUTION'S LOSS UNDER SECTION 10.01[H] HEREOF. WITH RESPECT TO THE REMAINING AMOUNTS ("NET RECOVERIES"), THE FINANCIAL INSTITUTION SHALL PAY TO USAID, WITHIN THIRTY (30) DAYS OF RECEIPT OF SUCH NET RECOVERIES (OR IMMEDIATELY AFTER USAID'S PAYMENT OF THE FINANCIAL INSTITUTION'S CLAIM IF RECEIPT OF SUCH NET RECOVERIES OCCURS PRIOR TO SUCH PAYMENT), AN AMOUNT EQUAL TO THE GUARANTEE PERCENTAGE (PART II, SECTION 5) OF SUCH NET RECOVERIES, UP TO THE AMOUNT OF THE CLAIM AS PAID BY USAID.

[2] IN THE EVENT THAT THE FINANCIAL INSTITUTION HAS LOANS OUTSTANDING TO THE DEFAULTING BORROWER THAT ARE NOT COVERED BY THE GUARANTEE, NET RECOVERIES FROM THE DEFAULTING BORROWER SHALL BE APPLIED TO THE DEFAULTED QUALIFYING LOAN AND THE NON-COVERED LOANS, RESPECTIVELY, ON A PARI PASSU BASIS.

[3] PAYMENTS MADE TO USAID UNDER THIS SECTION SHALL BE MADE IN THE CURRENCY OF FEE PAYMENT. IF MADE IN U.S. DOLLARS, SUCH PAYMENTS SHALL BE CALCULATED AT THE EXCHANGE RATE USED IN EFFECT ON THE DATE OF EACH PAYMENT AS DETERMINED BY USAID.

[B] AFTER THE DATE OF ITS CLAIM, THE FINANCIAL INSTITUTION SHALL CONTINUE TO PURSUE THE COLLECTION ACTIVITIES DESCRIBED IN SECTION 5.01[B] HEREOF FOR ITSELF AND, WITH RESPECT TO THE NET RECOVERIES PAYABLE TO USAID UNDER SUBSECTION [A] HEREOF, AS AGENT FOR USAID, SO LONG AS COMMERCIALLY REASONABLE.

[C] AT USAID'S REQUEST (WHICH MAY BE MADE AT ANY TIME ON OR AFTER THE DATE USAID PAYS THE CLAIM), THE FINANCIAL INSTITUTION SHALL EXECUTE AN ASSIGNMENT IN FAVOR OF USAID, IN FORM AND SUBSTANCE ACCEPTABLE TO USAID, OF THE FINANCIAL INSTITUTION'S RIGHT [1] TO RECEIVE THE SHARE OF NET RECOVERIES DUE TO USAID UNDER SUBSECTION [B] AND/OR [2] TO PURSUE COLLECTION OF SUCH NET RECOVERIES.

ARTICLE VIII

TRAINING, EVALUATIONS, COLLATERAL

SECTION 8.01. **USAID TRAINING, EVALUATIONS, COLLATERAL.** THE FINANCIAL INSTITUTION RECOGNIZES THAT THE PURPOSE OF THE GUARANTEE BY USAID IS TO ENCOURAGE GREATER SMALL BUSINESS LENDING AND, TO THAT END, THE FINANCIAL INSTITUTION AGREES TO COOPERATE REASONABLY IN SMALL BUSINESS LENDING SEMINARS, TRAINING PROGRAMS, PROMOTIONAL PROGRAMS AND EVALUATIONS (INCLUDING EVALUATIONS OF THE OVERALL DEVELOPMENTAL IMPACT OF THE GUARANTEE AS IT RELATES TO WOMEN) CONDUCTED, SPONSORED OR SUPPORTED BY USAID. COOPERATION SHALL INCLUDE MAKING APPROPRIATE MANAGERIAL OR OTHER STAFF AVAILABLE FOR PARTICIPATION IN SUCH SEMINARS, PROGRAMS AND EVALUATIONS. THE FINANCIAL INSTITUTION ALSO RECOGNIZES THE IMPORTANCE OF USING FLEXIBLE LENDING TECHNIQUES AND CREDIT CRITERIA, INCLUDING CASH-FLOW ANALYSIS, FOR THE EXPANSION OF LENDING TO THE SMALL BUSINESS SECTOR. ACCORDINGLY, THE FINANCIAL INSTITUTION AGREES TO WORK WITH USAID TO REDUCE ITS EMPHASIS ON COLLATERAL REQUIREMENTS TO THE MAXIMUM EXTENT PRACTICABLE (CONSISTENT WITH REASONABLE COMMERCIAL PRACTICES) AND TO EXPLORE ALTERNATIVE METHODS OF CREDIT ASSESSMENT.

ARTICLE IX

EXPIRATION, TERMINATION, REDUCTION, RENEWAL

SECTION 9.01. **TERM.** THE TERM OF THE GUARANTEE IS FOR A MAXIMUM OF FIVE (5) YEARS FROM THE EFFECTIVE DATE (SECTION 3.01), AS AGREED TO BY USAID AND THE FINANCIAL INSTITUTION IN PART II, SECTION 9, UNLESS EARLIER TERMINATED UNDER SECTIONS 4.02[C] ("FAILURE TO PROVIDE REQUIRED REPORTS"), 6.03 ("FAILURE TO PAY FACILITY FEE") AND 6.05 ("FAILURE TO PAY UTILIZATION FEE"), OR 9.02 AND 9.03 HEREOF.

SECTION 9.02. **TERMINATION BY USAID FOR MATERIAL BREACH.** USAID MAY TERMINATE THE GUARANTEE OR, AT ITS SOLE ELECTION, SUSPEND AND AT ANY TIME THEREAFTER TERMINATE THE GUARANTEE, AT ANY TIME PRIOR TO THE END OF ANY GUARANTEE PERIOD BY WRITTEN NOTICE TO THE FINANCIAL INSTITUTION UPON THE OCCURRENCE OF ANY MATERIAL BREACH OF THESE STANDARD TERMS AND CONDITIONS BY THE FINANCIAL INSTITUTION,

INCLUDING, BUT NOT LIMITED TO, FAILURE TO FURNISH DOCUMENTATION, MISREPRESENTATION, BREACH OF COVENANT, INSOLVENCY OR BANKRUPTCY, OR THE OCCURRENCE OF ADVERSE EVENTS (INCLUDING SIGNIFICANT LOSSES UNDER THIS GUARANTEE).

SECTION 9.03. TERMINATION BY USAID FOR CONVENIENCE. USAID RESERVES THE RIGHT TO TERMINATE THE GUARANTEE ANY TIME FOR ANY REASON BY WRITTEN NOTICE TO THE FINANCIAL INSTITUTION; PROVIDED, HOWEVER, THAT IN THE EVENT OF TERMINATION UNDER THIS SECTION, ALL QUALIFYING LOANS OUTSTANDING UNDER GUARANTEE COVERAGE UP TO THE DATE OF NOTICE OF SUCH TERMINATION SHALL REMAIN COVERED UNTIL THE TERM OF THE GUARANTEE SHALL OTHERWISE EXPIRE OR BE TERMINATED.

SECTION 9.04. EFFECT OF TERMINATION. NO TERMINATION OR SUSPENSION UNDER SECTIONS 4.02[c], 6.05, 9.02, 9.03, OR 9.05, EXCEPT FOR MISREPRESENTATION UNDER SECTION 9.02, SHALL HAVE AN EFFECT ON THE VALIDITY AND ENFORCEABILITY OF ANY CLAIM IN WHICH A DEMAND FOR FULL PAYMENT UNDER SECTION 5.01[A] OCCURRED PRIOR TO SUCH TERMINATION.

SECTION 9.05. REDUCTION. AT ANY TIME AFTER THE FIRST TWO GUARANTEE PERIODS OF THE INITIAL TERM OF THE GUARANTEE, USAID MAY, AT ITS OPTION, BY WRITTEN NOTICE TO THE FINANCIAL INSTITUTION, REDUCE THE MAXIMUM COVERED PORTFOLIO (PART II, SECTION 4) TO EQUAL THE MAXIMUM AMOUNT OF QUALIFYING LOANS OUTSTANDING UNDER GUARANTEE COVERAGE AT ANY ONE TIME DURING ANY THREE CONSECUTIVE GUARANTEE PERIODS, PROVIDED, HOWEVER, THAT THE AMOUNT OF THE MAXIMUM COVERED PORTFOLIO SHALL NOT BE REDUCED BELOW THE TOTAL PRINCIPAL AMOUNT OF QUALIFYING LOANS THEN OUTSTANDING UNDER GUARANTEE COVERAGE. IN THE EVENT OF ANY SUCH REDUCTION, USAID SHALL MAKE A PROPORTIONAL REDUCTION IN THE GUARANTEE LIMIT (PART II, SECTION 6). IN THE EVENT THE MAXIMUM COVERED PORTFOLIO IS REDUCED TO ZERO, THE GUARANTEE FACILITY SHALL BE DEEMED TERMINATED.

ARTICLE X **DEFINITIONS**

SECTION 10.01. TERMS. THROUGHOUT THESE STANDARD TERMS AND CONDITIONS, TERMS, WHEN CAPITALIZED, SHALL HAVE THE MEANING ASSIGNED TO THEM IN THE APPLICATION (INCLUDING THIS PART V), OR AS FOLLOWS:

[A] "USAID PAYMENT REPRESENTATIVE" SHALL MEAN THE PARTY OR PARTIES DESIGNATED BY USAID IN THE USAID GUARANTEE COMMITMENT (SECTION 3.01), OR OTHER WRITTEN NOTICE TO THE FINANCIAL INSTITUTION, TO RECEIVE AND MAKE PAYMENTS FOR USAID AS CALLED FOR BY THESE STANDARD TERMS AND CONDITIONS.

[B] "BORROWER" SHALL MEAN THE BENEFICIARY OF A LOAN ADVANCED BY THE FINANCIAL INSTITUTION. IF FINANCIAL LEASES ARE A FORM OF CREDIT AUTHORIZED IN THE USAID GUARANTEE COMMITMENT (SECTION 3.01), "BORROWER" SHALL INCLUDE THE LESSEE OF SUCH LEASES.

[C] "EXCHANGE RATE" SHALL MEAN THE HIGHEST RATE OF EXCHANGE FOR THE CONVERSION OF U.S. DOLLARS TO LOCAL CURRENCY WHICH AT THE TIME IS NOT UNLAWFUL IN THE COUNTRY, AND DETERMINED IN THE MANNER PROVIDED HEREIN.

[D] "FINANCIAL LEASE" SHALL MEAN A LEASE OF NEW MACHINERY AND EQUIPMENT WITH THE FOLLOWING TERMS AND CONDITIONS:

- [1] THE TOTAL OF LEASE PAYMENTS (PRINCIPAL PORTION ONLY) MUST BE EIGHTY-FIVE PERCENT (85%) OR MORE OF THE ASSET COST TO THE FINANCIAL INSTITUTION.
- [2] IF THERE IS A PURCHASE OPTION AT THE EXPIRATION OF THE LEASE, THE OPTION PRICE MUST BE NOMINAL.
- [3] THE LEASE DOES NOT REQUIRE THE FINANCIAL INSTITUTION TO PROVIDE FOR THE SERVICING, REPAIR OR MAINTENANCE

OF THE LEASED PROPERTY, TO RENEW ANY LICENSE OR REGISTRATION OF THE LEASED PROPERTY, OR TO PURCHASE INSURANCE COVERING THE LEASED PROPERTY UNLESS THE COST OF SUCH INSURANCE IS FOR THE ACCOUNT OF THE BORROWER.

[4] IN THE JUDGMENT OF USAID, THE INTENT OF THE LEASE IS FOR THE LESSEE TO OWN THE ASSET AT THE END OF THE LEASE CONTRACT.

[E] "GOVERNMENTAL AUTHORITY" SHALL MEAN THE GOVERNMENT OF THE COUNTRY OR ANY OTHER COUNTRY, ANY AGENCY OR INSTRUMENTALITY THEREOF, OR ANY ENTITY OWNED OR CONTROLLED THEREBY.

[F] "GUARANTEE PERIOD" SHALL MEAN EACH OF THE CONSECUTIVE PERIODS OCCURRING FROM THE EFFECTIVE DATE (SECTION 3.01) UNTIL THE TERM OF THE GUARANTEE EXPIRES OR IS EARLIER TERMINATED UNDER THE APPLICABLE PROVISIONS OF ARTICLE IV, ARTICLE VI OR ARTICLE IX. THE FIRST GUARANTEE PERIOD BEGINS ON THE EFFECTIVE DATE AND ENDS ON THE DATE SPECIFIED BY USAID IN THE USAID GUARANTEE COMMITMENT (SECTION 3.01). EACH SUBSEQUENT GUARANTEE PERIOD, WITH THE POSSIBLE EXCEPTION OF THE LAST PERIOD, IS A SIX (6) MONTH PERIOD COMMENCING ON THE DATE FOLLOWING THE EXPIRATION OF THE IMMEDIATELY PRECEDING PERIOD. UNLESS THE GUARANTEE IS EARLIER TERMINATED, OR UNLESS OTHERWISE AGREED TO BY USAID AND THE FINANCIAL INSTITUTION, THE LAST GUARANTEE PERIOD EXPIRES AT THE END OF THE FIVE (5) YEAR TERM OF THE GUARANTEE.

[G] "LOAN" SHALL MEAN ANY TYPE OF LOCAL CURRENCY CREDIT, INCLUDING COMMERCIAL LOANS, LINES OF CREDIT, OVERDRAFTS, COMMERCIAL LETTERS OF CREDIT, GUARANTEES OR FINANCIAL LEASES, UNLESS LIMITED BY USAID IN THE USAID GUARANTEE COMMITMENT (SECTION 3.01) OR OTHERWISE AGREED TO IN WRITING BY USAID AND THE FINANCIAL INSTITUTION.

[H] "LOSS" SHALL MEAN THE LOSS OF PRINCIPAL, ONLY, AFTER DEDUCTION OF ALL RECOVERIES FROM THE DEFAULTING BORROWER FROM ANY SOURCE (AS DESCRIBED IN SECTION 7.08[A][1]) RECEIVED BY THE FINANCIAL INSTITUTION PRIOR TO THE DATE OF ITS CLAIM, LESS ACTUAL AND REASONABLE EXPENSES INCURRED IN CONNECTION WITH ITS COLLECTION EFFORTS UP TO SUCH DATE.

[I] "MAXIMUM COVERED PORTFOLIO" SHALL MEAN THE TOTAL AMOUNT OF QUALIFYING LOANS PLACED UNDER GUARANTEE COVERAGE, MINUS ANY CLAIMED LOSSES. FOR EXAMPLE, THE MAXIMUM COVERED PORTFOLIO ON A US\$6,000,000 FACILITY WITH CLAIMED LOSSES OF US\$500,000 WOULD BE US\$5,500,000.

[J] "QUARTER" SHALL MEAN EACH OF THE CONSECUTIVE PERIODS OCCURRING FROM THE EFFECTIVE DATE (SECTION 3.01) UNTIL THE TERM OF THE GUARANTEE EXPIRES OR IS EARLIER TERMINATED UNDER THE APPLICABLE PROVISIONS OF ARTICLE IV, ARTICLE VI OR ARTICLE IX. THE FIRST QUARTER SHALL BE COTERMINOUS WITH THE FIRST GUARANTEE PERIOD. EACH SUBSEQUENT QUARTER, WITH THE POSSIBLE EXCEPTION OF THE LAST, IS A THREE (3) MONTH PERIOD COMMENCING ON THE DATE FOLLOWING THE EXPIRATION OF THE IMMEDIATELY PRECEDING QUARTER. THE QUARTERS ARE DEFINED AS FOLLOWS:

JANUARY 1 THROUGH MARCH 31;
APRIL 1 THROUGH JUNE 30;
JULY 1 THROUGH SEPTEMBER 30; AND
OCTOBER 1 THROUGH DECEMBER 31.

ARTICLE XI
MISCELLANEOUS

SECTION 11.01. GOVERNING LAW. THIS GUARANTEE SHALL BE GOVERNED BY THE LAWS OF THE UNITED STATES AND THE DISTRICT OF COLUMBIA.

SECTION 11.02. AMENDMENT, ASSIGNMENT. THIS GUARANTEE MAY BE AMENDED ONLY IN WRITING SIGNED BY AUTHORIZED REPRESENTATIVES OF BOTH PARTIES. THIS GUARANTEE MAY NOT BE ASSIGNED IN WHOLE OR IN PART BY THE FINANCIAL INSTITUTION WITHOUT THE PRIOR WRITTEN CONSENT OF USAID.

SECTION 11.03. JURISDICTION. THE FINANCIAL INSTITUTION CONSENTS TO JURISDICTION IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLUMBIA AND AGREES THAT, UNLESS WAIVED BY USAID, ANY ACTION BROUGHT TO RESOLVE ANY BREACH, DEFAULT, DISPUTE OR INTERPRETATION OF THIS GUARANTEE SHALL BE COMMENCED IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLUMBIA. THE FINANCIAL INSTITUTION AGREES NOT TO CLAIM, IN ANY SUCH LEGAL ACTION, THAT THE DISTRICT OF COLUMBIA IS AN INCONVENIENT PLACE FOR TRIAL. THE FOREGOING SHALL NOT, HOWEVER, LIMIT THE RIGHT OF USAID TO SERVE LEGAL PROCESS IN ANY MANNER PERMITTED BY LAW OR AFFECT THE RIGHT OF USAID TO BRING ANY ACTION OR PROCEEDING AGAINST THE FINANCIAL INSTITUTION OR ITS PROPERTY IN THE COURTS OF THE COUNTRY OR IN ANY OTHER COURTS HAVING JURISDICTION.

SECTION 11.04. COMPLETE AGREEMENT. THE STANDARD TERMS AND CONDITIONS OF THIS PART V, ANNEXES A (IN THE FORM EXECUTED BY USAID), B, C, D AND E HERETO, AND PARTS I, II, III AND IV AS INCORPORATED BY REFERENCE INTO THIS PART V CONTAIN THE COMPLETE AGREEMENT BETWEEN USAID AND THE FINANCIAL INSTITUTION AND SUPERSEDE ALL PRIOR AGREEMENTS AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THE SUBJECT MATTER HEREOF. IN THE EVENT OF ANY INCONSISTENCY BETWEEN THE PRINTED PROVISIONS OF THIS AGREEMENT, THIS PART V SHALL PREVAIL.

SECTION 11.05. CONFIDENTIALITY. PROPRIETARY INFORMATION SUBMITTED TO USAID AND DESIGNATED AS SUCH BY THE FINANCIAL INSTITUTION AS PART OF THE APPLICATION OR PURSUANT TO THESE STANDARD TERMS AND CONDITIONS SHALL BE TREATED BY USAID AS CONFIDENTIAL COMMERCIAL INFORMATION IN ACCORDANCE WITH APPLICABLE U.S. LAWS.

END OF STANDARD TERMS AND CONDITIONS:
ANNEXES A - E FOLLOW

ANNEX A
FORM OF USAID GUARANTEE COMMITMENT

DATE: _____

FISCAL YEAR: 19____

GUARANTEE COMMITMENT

[NAME OF FINANCIAL INSTITUTION]
[STREET ADDRESS]
[CITY, COUNTRY]

SUBJECT: SMALL BUSINESS LOAN PORTFOLIO GUARANTEE
ACTIVITY NO. 940-3005.[]
GUARANTEE COMMITMENT No. []

DEAR :

I AM PLEASED TO INFORM YOU THAT THE AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) HAS ACCEPTED YOUR APPLICATION FOR THE SMALL BUSINESS LOAN PORTFOLIO GUARANTEE ("GUARANTEE") DATED _____, 19__, UNDER THE FOLLOWING CONDITIONS AND LIMITATIONS:

MAXIMUM COVERED PORTFOLIO: US\$ _____
GUARANTEE PERCENTAGE: _____ %
GUARANTEE LIMIT (USAID COMMITMENT): US\$ _____

FROM OUR DISCUSSIONS WITH YOU, WE UNDERSTAND THAT YOU INTEND TO ALLOCATE THE GUARANTEE PORTFOLIO BETWEEN MICROENTERPRISE AND SMALL BUSINESS LOANS APPROXIMATELY AS FOLLOWS: _____

THIS NOTICE IS ALSO TO ADVISE YOU OF THE FOLLOWING:

1. FEES:

FACILITY FEE:

- [A] A FACILITY FEE OF US\$_____ IS DUE AND PAYABLE NO LATER THAN THIRTY (30) DAYS AFTER THE DATE HEREOF. THE FACILITY FEE IS EQUAL TO _____% OF THE GUARANTEE LIMIT STATED ABOVE.
- [B] PAYMENT IS TO BE MADE IN U.S. DOLLARS, THE CURRENCY OF FEE PAYMENT.¹ PAYMENT IS TO BE MADE IN THE LOCAL CURRENCY AMOUNT DETERMINED BY YOUR USAID PAYMENT REPRESENTATIVE ON THE DATE OF YOUR PAYMENT.²

¹⁻² ONLY ONE OF THESE TWO SENTENCES IS TO BE INCLUDED IN THIS PARAGRAPH.

UTILIZATION FEE:

- [A] A UTILIZATION FEE WILL ALSO BE CHARGED FOR THE GUARANTEE. YOU WILL RECEIVE A SEPARATE NOTICE OF PAYMENT DUE FOR SUCH FEE AFTER THE EXPIRATION OF EACH GUARANTEE PERIOD. (SEE SECTION 5 BELOW.)
- [B] THE UTILIZATION FEE IS EQUAL TO ___% PER ANNUM OF THE AVERAGE U.S. DOLLAR VALUE OF QUALIFYING LOANS PLACED UNDER GUARANTEE COVERAGE DURING A SIX-MONTH GUARANTEE PERIOD.

2. REPORTS

IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE GUARANTEE, YOU ARE REQUIRED TO COMPLY WITH THE FOLLOWING REPORTING REQUIREMENTS.

- [A] **QUARTERLY REPORTING.** NO LATER THAN THIRTY (30) DAYS AFTER THE END OF EACH QUARTER, USAID/WASHINGTON MUST RECEIVE FROM YOU {1} A COPY OF THE QUALIFYING LOAN SCHEDULE (AS FURTHER COMPLETED IN ACCORDANCE WITH ITS INSTRUCTIONS) IN EFFECT AS OF THE LAST DAY OF THE ENDED QUARTER, TOGETHER WITH A CERTIFICATION, AND {2} A TRANSACTION REPORT FOR EACH QUALIFYING LOAN ENTERED INTO DURING SUCH QUARTER. IF THE REQUIRED INFORMATION IS SUBMITTED TO USAID/WASHINGTON WITHIN THE APPLICABLE PERIOD BY FACSIMILE TRANSMISSION, YOU MUST ALSO PROVIDE THE ORIGINAL DOCUMENTATION TO USAID/WASHINGTON IN DUE COURSE.

THE QUARTERS ARE DEFINED AS FOLLOWS:

JANUARY 1 THROUGH MARCH 31;
APRIL 1 THROUGH JUNE 30;
JULY 1 THROUGH SEPTEMBER 30; AND
OCTOBER 1 THROUGH DECEMBER 31.

- [B] **ANNUAL REPORTING.** NO LATER THAN ONE HUNDRED EIGHTY (180) DAYS AFTER THE END OF YOUR FISCAL YEAR, YOU ARE REQUIRED TO SUBMIT TO USAID AUDITED ANNUAL FINANCIAL STATEMENTS INCLUDING, OR TOGETHER WITH, THE INFORMATION REQUESTED IN SECTIONS II(A), II(B), II(C), II(F), II(G), II(I), III(B), IV, AND VII (BASELINE) OF PART IV OF THE APPLICATION.

FORMS FOR THE ABOVE-MENTIONED QUALIFYING LOAN SCHEDULE, CERTIFICATION AND TRANSACTION REPORTS ARE INCLUDED IN PART V, ANNEXES B, C, AND D OF THE GUARANTEE APPLICATION. FOR YOUR REFERENCE, ADDITIONAL COPIES OF THESE FORMS ARE ATTACHED HEREWITH.

3. USAID PAYMENT INSTRUCTIONS.

PLEASE REMIT PAYMENTS OF THE FACILITY AND UTILIZATION FEES DIRECTLY TO USAID. FOR PURPOSES OF MAKING THESE PAYMENTS, YOUR USAID PAYMENT REPRESENTATIVE IS:

PLEASE ADVISE US OF YOUR PAYMENT BY TELEFAX. FOR THESE PURPOSES, SEND YOUR TELEFAX TO:

CREDIT AND INVESTMENT (G/EG/CI)
BUREAU FOR GLOBAL PROGRAMS, FIELD SUPPORT AND RESEARCH
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
TELEFAX NO: (202)216-3593

4. GUARANTEE PERIODS.

PLEASE BE ADVISED THAT YOUR FIRST GUARANTEE PERIOD ENDS ON _____, 199____. EACH SUBSEQUENT GUARANTEE PERIOD, WITH THE EXCEPTION OF THE LAST PERIOD, IS A SIX (6)

MONTH PERIOD COMMENCING ON THE DATE FOLLOWING THE EXPIRATION OF THE IMMEDIATELY PRECEDING PERIOD. STANDARD REPORTING PERIODS ARE APRIL 1 THROUGH SEPTEMBER 30, AND OCTOBER 1 THROUGH MARCH 31. UNLESS THE GUARANTEE IS EARLIER TERMINATED OR RENEWED, THE LAST GUARANTEE PERIOD WILL EXPIRE AT THE END OF THE FIVE (5) YEAR TERM OF THE GUARANTEE.

5. MICROENTERPRISE.

THE DEFINITION OF "MICROENTERPRISE" FOR [COUNTRY] IS AS FOLLOWS:

6. SMALL BUSINESS ENTERPRISE.

THE DEFINITION OF "SMALL BUSINESS ENTERPRISE" FOR [COUNTRY] IS AS FOLLOWS:

NO LOAN MADE BY YOU WILL BE A QUALIFYING LOAN COVERED BY THE GUARANTEE UNLESS IT IS MADE TO A MICROENTERPRISE OR SMALL BUSINESS ENTERPRISE, IN ACCORDANCE WITH THE ALLOCATION OF THE GUARANTEE PORTFOLIO AGREED TO BY USAID AND THE FINANCIAL INSTITUTION. (SEE PART V, SECTION 2.01 OF YOUR APPLICATION FOR ALL CRITERIA OF A QUALIFYING LOAN).

SINCERELY,

[NOT EFFECTIVE UNTIL FULLY COMPLETED AND SIGNED BY AN
AUTHORIZED **USAID** SIGNATORY]

ASSOCIATE ASSISTANT ADMINISTRATOR
CENTER FOR ECONOMIC GROWTH
BUREAU FOR GLOBAL PROGRAMS, FIELD SUPPORT AND
RESEARCH

ANNEX B (Supplemental)

INSTRUCTIONS FOR THE QUALIFYING LOAN SCHEDULE

Maintaining the Schedule and Guarantee Coverage **(Columns 1 through 7)**

The Qualifying Loan Schedule (or QLS) is to be completed in **cumulative, chronological** order as Qualifying Loans are placed under guarantee coverage. A Qualifying Loan is placed under Guarantee coverage by making the appropriate entries in Column 1 through 6 on the QLS form and, also by completing a Transaction Report for that Loan. A Qualifying Loan is removed from coverage by entering the appropriate date in Column 7 of the QLS.

Each page must be numbered in accordance with the chronological order of the QLS. The original page(s) are to be completed, held by the Financial Institution, kept up to date at all times and made available to USAID in accordance with Part V of the LPG Application, the Standard Terms and Conditions, Article IV, Section 4.02, "Reporting". Please duplicate this form when additional pages are needed.

Reporting Ending Principal Balances **(Column 9)**

For **Term Loans**, the Financial Institution should report the the outstanding principal balance at the end of the Reporting Period, e.g. March 31 or June 30 or September 30 or December 31.

For **Lines of Credit** or other credit facilities, the Financial Institution may select either of the following two methods for reporting balances. Please note that once the bank has chosen a particular method, it must continue to use that same method until the facility is removed from Guarantee coverage.

Method 1: The Financial Institution will list the full amount of the Line of Credit or other credit facility in Column 6. The Ending Principal Balance reported in column 9 should equal this amount, regardless of the amount outstanding at the end of the Reporting Period.

Method 2: The Financial Institution will list the full amount of the Line of Credit or other credit facility in Column 6. The Ending Principal Balance reported in Column 9 will equal only the actual amount outstanding under the Line of Credit or other credit facility at the end of the Reporting Period.

Treatment of Claims made on Lines of Credit or other Credit Facilities: Method 1 and Method 2
Regardless of whether a Financial Institution selects Method 1 or Method 2 for reporting the Ending Principal Balance of a Line of Credit or other credit facility in Column 9 of the QLS, the USAID Guarantee applies **only** to the actual loss sustained by the Financial Institution (up to the amount reported on the QLS), which must be certified to USAID in the form of Annex E.

Reporting to USAID at the End of Each Quarter **(Columns 8 through 9)**

At the end of each Quarter, the Financial Institution should photocopy the pages of the QLS and update, as appropriate, Columns 7 through 9. This completed photocopy must be submitted to USAID/Washington not later than 30 days after the end of the Quarter.

ANNEX C

CERTIFICATION FOR QUALIFYING LOAN SCHEDULE

Bureau for Global Programs, Field Support and Research
U.S. Agency for International Development
Room 2.10, RRB
Washington, D.C. 20523-2110

Attention: Credit and Investment Staff

Ref: Microenterprise and Small Business Loan Portfolio Guarantee

Attached is the Qualifying Loan Schedule for the three month Reporting
Period

_____ through _____.

_____ ("Financial Institution") hereby certifies that,
as of the date hereof, the Loans identified in the attached Qualifying Loan
Schedule are Qualifying Loans covered by the Small Business Loan Portfolio
Guarantee made in favor of the Financial Institution by the United States of
America, acting through the U.S. Agency for International Development
("USAID").

Financial Institution

By: _____
Signature

Name (please print)

Title (please print)

Date

ANNEX D
TRANSACTION REPORT

1. Name of Financial Institution: _____

2. (a) Borrower Name: (check one): ☐ Mr. ☐ Mrs. ☒ Ms. _____

(b) Business Address: _____

(c) The Borrower is: (check one): ☐ Permanent Resident of _____
☐ National (country)

(d) Description of Borrower's business (Please be specific): _____

(e) Size and Composition: Annual Sales: _____

Total Assets: _____
(excluding land, buildings, and machinery)

Ownership (check one): ☐ Individual(s) ☐ Corporation

	Ownership (percentage)	Management (excluding ownership) (in numbers)	Full-time Employees (in numbers)
Men			
Women			

3. Qualifying Loan

(a) Amount (in Local Currency): _____
(For Financial Leases, only, enter the principal amount of the lease)

(b) Qualifying Loan Date¹: _____

¹ For Term Loans, date of disbursement; for Lines of Credit or other credit facilities, date of approval.

(c) Type of Credit (please check the appropriate box):

☐ Term Loan

☐ Line of Credit/Overdraft

☐ Other

Maturity Date: _____

Review Date: _____

Expiry Date: _____

(d) Purpose of the Qualifying Loan (please describe in full detail):

(e) Would the Financial Institution have made the loan to this Borrower without the USAID Guarantee? Yes__ No__

If Yes, what additional benefit did the USAID Guarantee provide?

If No, what effect did the USAID Guarantee have on the bank's decision to make the loan?

(f) Collateral/security as percentage of the amount described in (a) above: _____%

(excluding the USAID Guarantee)

(g) Is the Borrower a first-time borrower of the Financial Institution? Yes__ No__

If Yes, has the borrower ever obtained credit from the formal sector?

Yes__ No__

(h) Why has the bank placed this loan under guarantee coverage?

(Please check the appropriate item)

☐ Start-up Company

☐ No Credit History or Previous Borrowing History

☐ Inadequate Collateral or Equity Contribution

☐ Inadequate cash flows

☐ other (please

specify) _____

**ANNEX E
FORM OF CLAIM**

[Letterhead of Financial Institution]

Credit and Investment Staff
Bureau for Global Programs, Field Support and Research
U.S. Agency for International Development
Room 2.10, RRB
1300 Pennsylvania Avenue, NW
Washington, D. C. 20523-2110 U.S.A.
(Attn.: Director - LPG Program)

RE: Qualifying Loan to (Name of Borrower)

Dear Sir or Madam:

Reference is made to the Small Business Loan Portfolio Guarantee (the "Guarantee") made effective in our favor by the USAID Guarantee Commitment issued on _____, 19__ by the United States of America, acting through the Agency for International Development.

Pursuant to the Guarantee, we hereby submit a claim for the amount in Local Currency of _____. This claim results from our Loss on the referenced Qualifying Loan, and is calculated on Exhibit A hereto. In addition to Exhibit A, we submit a copy of the Qualifying Loan Schedule that is now (or was last) in effect, which includes the Qualifying Loan on which this claim is made, together with a Certification (Part V, Annex C) therefor.

(Please indicate method [1] or [2] with a ✓ in the appropriate box)

G ☐ ^[1] We hereby certify that we have written off the entire outstanding balance of the Qualifying Loan (including principal and interest) as a bad debt expense.

G ☐ ^[2] We hereby certify to USAID that we are unable to write off the entire outstanding balance of the Qualifying Loan (including principal and interest) as a bad debt expense because of the following legal impediment or significant impracticality:

_____ and that we have made a specific provision in our allowance for bad debts.

We hereby acknowledge our obligations [i] to notify USAID in the event of our receipt of Net Recoveries on the Qualifying Loan, [ii] to pay USAID a percentage of such Net Recoveries and [iii] to make a written assignment to USAID of our right to pursue and receive such Net Recoveries, all as provided in Part V (Standard Terms and Conditions), Section 7.08.

We hereby certify that the referenced Qualifying Loan, when made, met all of the criteria set forth in Part V, Section 2.01 and that this claim meets all of the requirements of Part V, Section 5.01.

Sincerely yours,

By: _____
Signature

Name (please print)

Title (please print)

Date

EXHIBIT A
ANNEX E (Continued) - STATEMENT OF LOSS

1. Borrower
- (a) Name: _____
- (b) Address (principal place of business): _____

- (c) Borrower is a (Check one): G National G Permanent Resident of: _____
(Country)
- (d) On the date of the Qualifying Loan, was the Borrower
- (i) a "small business enterprise" or a "microenterprise," as defined by
USAID (Part V, Section 2.01(a)(4))? Yes ___ No ___
- (ii) 100% privately owned, controlled and operated? Yes ___ No ___
- (e) Purpose of the Qualifying Loan (please describe in detail): _____

- (f) On the date of the Qualifying Loan, state (in Local Currency) the
total principal amount of each other Qualifying Loan and each
other credit of the Borrower:
Other Qualifying Loans covered by the Guarantee: _____

Credits not covered by the Guarantee: _____

- (g) Was any portion of the Qualifying Loan financed, directly or
indirectly, with subsidized funds or guaranteed by a Governmental
Authority or any other donor organization (except USAID)? Yes ___ No ___
- (h) U.S. Dollar amount of Maximum Covered Portfolio (Part II, Section 4)
on the date on which the Qualifying Loan was placed under
Guarantee coverage? \$ _____
2. Dates:
- (a) of the Qualifying Loan _____
- (b) on which the Qualifying Loan was placed under
Guarantee coverage _____
- (c) on which demand for full payment was made, as
required by Part V, Section 5.01[a] _____
- (d) of write-off or provision (Part V, Section 5.01[c]) _____
- (e) of this claim _____
- (Sections 3-5 continued on the next page)

EXHIBIT A to ANNEX E (Continued)

STATEMENT OF LOSS

3. The Financial Institution has made the following efforts to induce or compel the Borrower (or any other person that may be liable on the Qualifying Loan) to make full payment of all amounts due on the Qualifying Loan: _____

4. On the date of the demand for full payment required under Section 5.01[a], state (in Local Currency) the total principal amount of each other Qualifying Loan and each other credit of the Borrower:
- Other Qualifying Loans covered by the Guarantee _____
- Credits not covered by the Guarantee _____
5. The Financial Institution's Loss on the Qualifying Loan, and the amount of its claim, is calculated in Local Currency as follows:
- (a) principal balance (excluding net recoveries) of the Qualifying Loan on date of this claim _____
- (b) net recoveries on date of this claim (Part V, Sections 7.08(a)(1), 10.01(h))
- (1) recoveries from all sources _____
- (2) less actual and reasonable _____
collection expenses
- (3) net recoveries [Line (1) less line (2)] _____
- (c) Loss (principal balance less net recoveries) _____
- (d) Guarantee Percentage _____%
- (e) Financial Institution's share of Loss _____
- (f) Amount of claim _____

(End of Part V)

